

# **TREVI** - Finanziaria Industriale S.p.A.

## Consolidated Quarterly Report

First Quarter 2004

TREVI – Finanziaria Industriale S.p.A.  
Headquarters in Cesena (FC) - Via Larga 201 -  
Share Capital 32,000,000 €fully paid up  
Chamber of Commerce Forlì-Cesena nr.201.271  
Fiscal and VAT Code and Register of Companies in Forlì – Cesena nr. 01547370401  
Internet homepage: [www.trevifin.com](http://www.trevifin.com)

## **BOARD OF DIRECTORS**

### **Chairman**

Davide Trevisani

### **Managing Directors**

Gianluigi Trevisani

Cesare Trevisani

### **Board Members**

Stefano Trevisani

Mario Amoroso

Guglielmo Antonio Claudio Moscato

Pio Teodorani Fabbri

Roberto Pinza

Enrico Bocchini

## **BOARD OF STATUTORY AUDITORS**

### **Statutory Auditors**

Adolfo Leonardi (President)

Giacinto Alessandri

Giancarlo Poletti

### **Alternate Statutory Auditors**

Marco Alessandri

Giancarlo Daltri

### **Independent Accountants**

PricewaterhouseCoopers S.p.A.

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The quarterly report is not audited.

## KEY FINANCIAL INFORMATION

12.31.2003		<i>In Thousands of Euro</i> 03.31.2004	<i>In Thousands of Euro</i> 03.31.2003	<i>Changes</i>
368,728	Production value	76,201	88,366	-13.8%
366,643	Total revenues	72,561	88,453	-18.0%
127,118	Added value	26,969	33,178	-18.7%
34.7%	% on total revenues	37.2%	37.5%	
41,311	E.B.I.T.D.A.	8,177	11,934	-31.5%
11.27%	% on total revenues	11.27%	13.49%	
16,716	E.B.I.T.	2,760	4,821	-42.8%
4.56%	E.B.I.T./ Total revenues	3.80%	5.45%	
1,102 (1)	Net result before taxation and minority interest	1,107	1,025	8.0%
19,563	Gross technical investments	4,153	9,239	-55.0%
183,665	Net invested capital	197,928	200,171	-1.1%
(113,427)	Net financial position	(125,837)	(125,933)	-0.1%
70,238	Total stockholders' equity	72,091	74,238	-2.9%
66,760	Group interest in stockholders' equity	68,667	70,229	-2.2%
3,478	Minority interests	3,424	4,009	-14.6%
2,911	Employees (nr.)	2,955	2,781	
296,195	Works' portfolio	308,040	370,460	-16.8%
9.10% (2)	EBIT/Net invested capital (R.O.I.)	5.58%	9.63%	
1.57% (2)	Net result/ Stockholders' equity (R.O.E.)	6.14%	5.52%	
4.56%	EBIT/Total revenues (R.O.S.)	3.80%	5.45%	
1.61	Net financial position/Total stockholders' equity (Debt/Equity)	1.75	1.70	

(1) The result as at 12.31.2003 also includes taxes and minority interests.

(2) Values referring to the first quarter 2004 and 2003 are calculated on a yearly basis.

# ***QUARTERLY MANAGEMENT REPORT***

## **Group's profile and activity**

TREVI - Finanziaria Industriale S.p.A. and its controlled subsidiaries (hereafter referred to as "TREVI Group or "The Group"), operates in the following sectors: foundation engineering services for civil and infrastructural works, oil drilling services and construction of plants and equipments for special foundations, tunnel excavation and well drilling for the extraction of hydrocarbons and water research.

Activity sectors are co-ordinated by the two main companies of the Group: Trevi S.p.A., heading the division operating in geotechnical engineering ("Trevi Division"), and Soilmec S.p.A., leading the division that manufactures and markets plants and equipments for underground engineering, well drilling for the extraction of hydrocarbons and water research ("Soilmec Division").

Since 1<sup>st</sup> January 2004, Soilmec S.p.A. has conferred its drilling branch to Drillmec S.p.A., which is directly controlled by Trevi - Finanziaria Industriale S.p.A.

The Group is controlled by TREVI - Finanziaria Industriale S.p.A..

## **Accounting principles and evaluation criteria**

The Quarterly Report is drafted on a consolidated basis, since the Company must comply with the drafting of consolidated accounts.

The Group's Consolidated Financial Statements for the first quarter 2004 have been drafted by using the same accounting principles, consolidation methods and foreign exchange conversion criteria adopted to prepare the Consolidated Financial Statements as at 31<sup>st</sup> December 2003, but with all necessary adjustments in order to reflect quarterly performances.

Broadly speaking, the information provided by the report does not significantly differ from that which would have been presented using years' end and six-month consolidated accounting principles.

The Quarterly Report is not audited.

The consolidation area has not undergone changes compared to the one of the financial statements closed at 31<sup>st</sup> December 2003.

## **Quarterly performance**

In the first three-month period of 2004, the Trevi Group has pursued the stability of income profits and the soundness of financial parameters, sometimes to the disadvantage of activity volumes.

The Net Income before taxes was 1.11 million € with a 8% growth compared to the same three-month period of the previous year.

The EBITDA for this period amounts to 8,177 thousand € that is, equal to 11.27% of total revenues.

The operating income is 2,760 thousand € (3.80% of total revenues); said result is net of amortizations and provisions for 5,417 thousand €

Net financial charges, equal to 1.79 million € show a percentage decrease in Euro of about 13% compared to the first three-month period in 2003. Thanks to the successful defence policy against the exchange risk, positive exchange differences have been recorded, totalizing 0.6 million €

### **Main assets and liabilities**

The net invested capital, which is equal to 197,928 thousand Euro, decreases by 2,243 thousand Euro compared to as at 31<sup>st</sup> March 2003.

Particularly, gross investments made in this period for fixed assets only amounted to 4,153 thousand € and they refer to investments in plants and equipments necessary for the execution of job orders started during the three-month period.

The warehouse as at 31<sup>st</sup> March 2004 amounts to 90,065 thousand €, on the up compared to as at 31<sup>st</sup> December 2003, and precisely it has increased by 8,683 thousand € (93,996 thousand € as at 31<sup>st</sup> March 2003).

The net passive financial position of Trevi Group, which is highlighted in the relevant accounting statement, showed an amount equal to 125,837 thousand € as at 31<sup>st</sup> March 2004 (while it was 125.9 million € as at 31<sup>st</sup> March 2003).

Short-term borrowing decreased by about 23 million € compared to the same three-quarter period of the previous year; at the same time, the medium- and long-term borrowing increased by about the same amount.

### **Main economic data**

Total consolidated revenues dropped from 88,453 thousand € in the first quarter of the previous year to 72,561 thousand € of the current one (-18%). Such a decrease is by 10.17% a consequence of the dollar's depreciation compared to €. If consolidating operations had been carried out at the same exchange rates of the first quarter 2003, total revenues would have amounted to 79,454 thousand €. In real terms, the 7.83% drop is mainly due to the actions undertaken in North America during these months, actions that were aimed at selecting the regional markets where it was possible to operate and offer underground engineering services alone, that is, the type of service where the company's experience is much more rooted. The job order relevant to the repair works for the W.F. George dam in Alabama, is to be pointed out for the optimal economic and financial results and is now substantially terminated.

Job orders acquired in United Arab Emirates are carried out according to the set schedule with optimal results.

In this quarter, the good trend of some important job orders for underground engineering services rendered to oil companies in West Africa is confirmed; in the second quarter the start of newly acquired job order is foreseen.

The start of the execution of foundation works for the underground in Alger has been deferred to the month of June 2004.

In Italy, the trend of executed works was positive although not up to the usual standard, due to the postponement of several infrastructural projects.

In this quarter, oil drilling services in Venezuela and Colombia continued, always achieving good results.

Always in this period of reference, the engineering division suffered from the slackening of deliveries with regards to contracts already signed and which cover the productive capacity up to September of this fiscal year.

## Geographic area

The following table, which highlights the international character of the group, reports the distribution of total revenues per geographic area:

AREA	I° Quarter 2004	%	I° Quarter 2003	%	Changes
Italy	16,931	23.3%	18,692	21.1%	(1,761)
Europe (excluding Italy)	5,062	7.0%	9,210	10.4%	(4,148)
U.S.A. and Canada	9,577	13.2%	21,295	24.1%	(11,718)
South American countries	6,805	9.4%	5,105	5.8%	1,700
Africa	13,021	17.9%	17,962	20.3%	(4,941)
Middle East	16,431	22.6%	9,360	10.6%	7,071
Far East	4,732	6.5%	6,829	7.7%	(2,097)
Rest of the world	3	0.0%	0	0.0%	3
<b>TOTAL</b>	<b>72,562</b>	<b>100%</b>	<b>88,453</b>	<b>100%</b>	<b>(15,891)</b>

As for the geographical distribution of revenues, there is a general decrease compared to the first quarter 2003, except for the Latin America area, and, mainly, in the Middle East, thanks to the several and important contracts recently acquired by the controlled company Swissboring Overseas Piling Corporation in United Arab Emirates.

Such a decrease is mainly due to seasonal phenomena and to the conclusion of some contracts; anyway, the recovery of the orders' portfolio is to be reported, which, compared to as at 31<sup>st</sup> December 2003, and thanks to the last awarded contracts, passed from 296 million to 308 million € in the first quarter 2004.

## Product lines

The distribution of revenues among the main activity sectors of the Group, during the first quarter 2004, is the following:

MANUFACTURING SECTOR	I° Quarter 2004	%	I° Quarter 2003	%	Changes
Manufacture of machines for special foundation work	15,015	20.7%	20,325	23.0%	(5,310)
Manufacture of machinery for Oil, gas and water drilling	5,256	7.2%	5,249	5.9%	7
Oil drilling	2,629	3.6%	2,659	3.0%	(30)
Special foundations works	49,407	68.1%	59,668	67.5%	(10,261)
Parking facilities	255	0.4%	552	0.6%	(297)
<b>TOTAL</b>	<b>72,562</b>	<b>100%</b>	<b>88,453</b>	<b>100%</b>	<b>(15,891)</b>

## **Main after-date events**

1. The Shareholders' Meeting of TREVI - Finanziaria Industriale S.p.A., gathered on 30th April 2004 and approved the financial statements. It also approved a dividend equal to €0.015 per share with detachment date on 5th July 2004 and payment with start from 8th July 2004.
2. The TREVI Group has acquired an important contract in Dubai, in the United Arab Emirates, for the execution of special foundation works required for the construction of the major project "*Dubai Festival City*". The amount involved by the execution of said works is 11.8 million € with a works' duration of 5 months and with immediate start.
3. New job orders have been acquired in the U.S.A. for a total amount of 15 million dollars.
4. As at 31st March, the Group has an orders' portfolio equal to 308 million € of which 202 million € are to be carried out in the 9 months remaining before the end of the operating year; said portfolio belongs to Trevi Division for 198 million € and to Soilmec Division for 110 million €. At the end of the quarter, the orders' portfolio assured budget coverage of about 78%, together with the revenues already achieved.

For the Board of Directors

The Chairman

Davide Trevisani

**TREVI GROUP**  
**QUARTERLY REPORT**  
**CONSOLIDATED PROFIT AND LOSS**  
**ACCOUNT**

(IN THOUSANDS €)

<b>12.31.2003</b>		<b>1st Quarter 2004</b>	<b>1st Quarter 2003</b>	<b>Changes</b>
366,643	<b>A. TOTAL REVENUES</b>	72,561	88,453	(15,892)
(1,727)	Changes in the works in progress, semi-manufactures and finished goods.	2,907	(671)	3,578
3,812	Increases of fixed assets for internal works	733	584	149
<b>368,728</b>	<b>B. PRODUCTION VALUE</b>	<b>76,201</b>	<b>88,366</b>	<b>(12,165)</b>
237,224	Consumption of raw materials and external services	48,569	54,410	(5,841)
4,386	Other operating expenses	663	778	(115)
<b>127,118</b>	<b>C. ADDED VALUE</b>	<b>26,969</b>	<b>33,178</b>	<b>(6,209)</b>
85,807	Labour cost	18,792	21,244	(2,452)
<b>41,311</b>	<b>D. E.B.I.T.D.A.</b>	<b>8,177</b>	<b>11,934</b>	<b>(3,757)</b>
20,090	Amortization, depreciation	4,080	5,430	(1,350)
4,505	Writedowns and provisions	1,337	1,683	(346)
<b>16,716</b>	<b>E. E.B.I.T.</b>	<b>2,760</b>	<b>4,821</b>	<b>(2,061)</b>
(7,587)	Financial income (expenses)	(1,793)	(2,082)	289
(2,498)	Net difference from exchange	605	(1,407)	2,012
(93)	Adjustments to financial assets	7	69	(62)
(2,182)	Extraordinary income (expenses)	(472)	(376)	(96)
<b>4,356</b>	<b>F. RESULT BEFORE TAXATION AND MINORITY INTERESTS</b>	<b>1,107</b>	<b>1,025</b>	<b>82</b>
3,243	Income taxes for the year	0	0	0
11	Minority interests	0	0	0
<b>1,102</b>	<b>CONSOLIDATED INCOME</b>	<b>1,107</b>	<b>1,025</b>	<b>82</b>

**TREVI GROUP**  
**CONSOLIDATED BALANCE SHEET**  
**AS AT 03/31/04**  
**(IN THOUSANDS €)**

<u>12.31.2003</u>		<u>03.31.2004</u>	<u>03.31.2003</u>	<u>Changes</u>
	<b>A) Fixed assets</b>			
3,137	- Intangible assets	3,254	4,202	(948)
126,695	- Tangible assets	129,717	132,628	(2,911)
4,118	- Long-term investments	4,204	4,736	(532)
<b>133,950</b>		<b>137,175</b>	<b>141,566</b>	<b>(4,391)</b>
	<b>B) Net working capital</b>			
81,382	- Inventories	90,065	93,996	(3,931)
95,660	- Accounts receivable	102,594	103,414	(820)
(87,060)	- Accounts payable (-)	(87,358)	(94,976)	7,618
(19,587)	- Accounts (-)	(23,844)	(20,294)	(3,550)
(11,084)	- Other assets (liabilities)	(11,005)	(14,348)	3,343
<b>59,311</b>		<b>70,452</b>	<b>67,792</b>	<b>2,660</b>
<b>193,261</b>	<b>C) Invested capital less operating liabilities (A+B)</b>	<b>207,627</b>	<b>209,358</b>	<b>(1,731)</b>
<b>(9,596)</b>	<b>D) Severance indemnity (-)</b>	<b>(9,699)</b>	<b>(9,187)</b>	<b>(512)</b>
<b>183,665</b>	<b>E) NET INVESTED CAPITAL (C+D)</b>	<b>197,928</b>	<b>200,171</b>	<b>(2,243)</b>
	<i>Financed by:</i>			
<b>66,760</b>	<b>F) Stockholders' equity (1)</b>	<b>68,667</b>	<b>70,229</b>	<b>(1,562)</b>
3,478	G) Share capital and minority reserves	3,424	4,009	(585)
<b>113,427</b>	<b>H) Net financial position</b>	<b>125,837</b>	<b>125,933</b>	<b>(96)</b>
<b>183,665</b>	<b>D) TOTAL FINANCING SOURCES (F+G+H)</b>	<b>197,928</b>	<b>200,171</b>	<b>(2,243)</b>

(1) The Stockholders' equity as at 03.31.04 and 03.31.03 also takes into account the result gross of taxes and minority result.

**TREVI GROUP**  
**NET CONSOLIDATED FINANCIAL POSITION**  
**(IN THOUSANDS €)**

<u>12.31.2003</u>		<u>03.31.2004</u>	<u>03.31.2003</u>	<u>Changes</u>
(45,029)	Short term borrowings from banks	(44,719)	(61,983)	17,264
(12,584)	Short term borrowings from other lenders	(11,503)	(10,005)	(1,498)
47,146	Short term cash in hand	25,657	18,083	7,574
<b>(10,467)</b>	<b>Short term total</b>	<b>(30,565)</b>	<b>(53,905)</b>	<b>23,340</b>
(73,537)	Medium and long term borrowings from banks	(67,623)	(43,504)	(24,119)
(29,423)	Medium and long term borrowings from other lenders	(27,649)	(28,524)	875
<b>(102,960)</b>	<b>Medium and long term total</b>	<b>(95,272)</b>	<b>(72,028)</b>	<b>(23,244)</b>
<b>(113,427)</b>	<b>Net financial position</b>	<b>(125,837)</b>	<b>(125,933)</b>	<b>96</b>

